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CALGARY POWER LTD.
ANNUAL REPORT 1966

DIRECTORS

E. R. ALEXANDER
R. A. BROWN, JR.
E. J. CHAMBERS, Q.C.
J. B. CROSS
R. J. DINNING
A. S. GORDON
A. W. HOWARD
DENIS STAIRS, O.B.E., M.C.
G. H. THOMPSON, M.C.

OFFICERS

G. H. THOMPSON, *Chairman of the Board*
A. W. HOWARD, *President*
E. J. CHAMBERS, *Vice-President & General Counsel*
F. T. GALE, *General Manager*
M. M. WILLIAMS, *Assistant General Manager*
W. A. SHARMAN, *Secretary-Treasurer*
F. V. KAY, *Assistant Secretary-Treasurer*
G. L. GILKER, *Assistant Secretary*

CORPORATE INFORMATION

Head Office
140 First Avenue South West, Calgary, Alberta

Transfer Agents
For Preferred Shares:
CROWN TRUST COMPANY, Calgary, Montreal, Toronto, Vancouver
For Common Shares:
MONTREAL TRUST COMPANY, Calgary, Montreal, Toronto, Winnipeg, Vancouver
For Bonds:
MONTREAL TRUST COMPANY, Montreal, Toronto

Registrars
For Preferred Shares:
THE ROYAL TRUST COMPANY, Calgary, Montreal, Toronto, Vancouver
For Common Shares:
MONTREAL TRUST COMPANY, Calgary, Montreal, Toronto, Winnipeg, Vancouver
For Bonds:
MONTREAL TRUST COMPANY, Montreal, Toronto

Trustee for Bond Issues
MONTREAL TRUST COMPANY, Montreal

Auditors
CLARKSON, GORDON & CO., Chartered Accountants, Calgary

Solicitors
CHAMBERS, SAUCIER, JONES, PEACOCK, BLACK, GAIN & STRATTON, Calgary
DUNCAN, BOWEN, CRAIG, SMITH, BROSSEAU & HORNE, Edmonton

ANNUAL REPORT TO THE SHAREHOLDERS

For the year ended December 31, 1966

Your Directors submit herewith their Annual Report for the year ended December 31, 1966, together with the audited financial statements consolidated with your Company's wholly-owned subsidiaries, excluding Farm Electric Services Ltd. The shares of Farm Electric Services Ltd. (a non-profit organization) are shown as an investment at their cost to the Company.

Alberta's economy continues to grow at a rapid pace. New oil and natural gas discoveries, large offshore sales of agricultural products, expansion in the petro-chemical and other industries provide a vigorous market for electricity. Use of electricity by residential, farm and industrial consumers is at record levels and the outlook for the future is encouraging.

Revenue and Expense

Gross revenue from operations in 1966 amounted to $38,740,428, an increase of $1,068,129 over the preceding year. Consolidated operating expenses, depreciation and income and other taxes amounted to $24,761,813, an increase of $862,907. After deducting these charges, together with interest, less a credit of $1,564,739 for interest charged to construction, net income for the year was $9,930,929 as compared with $9,725,834 in 1965*. Following provision for preferred and common dividends and an appropriation of $1,100,000 to the reserve for rate reductions, there remained an amount of $4,620,929 which has been transferred to "Earnings retained for use in the business".

As mentioned in previous reports, the Company received approval in 1964 from the Department of National Revenue for a three-year tax exemption on the coal mining operation at Wabamun. The tax saving for the year 1966, the last year of this exemption, is estimated to be $1,100,000 and this has been appropriated to the reserve for rate reductions, bringing the total amount of this reserve to $3,000,000.

In past years, the Company has followed the practice of crediting interest charged to construction to a reserve, rather than crediting such amounts to income. The Company's practice in this respect has differed from that of most utility companies in the United States and Canada, and this being more conservative, has tended to understate earnings in relation to those of comparable utilities, particularly during periods of heavy construction. Your Directors have therefore approved a change in accounting practice whereby income would be credited with interest charged to construction in the year ended December 31, 1966, and in subsequent years. In the light of this change, the reserve to which interest charged to construction had been credited in prior years has been transferred to "Earnings retained for use in the business". The ten-year comparative statement, included in this report, has been adjusted to reflect this change.

Earnings

Earnings per common share in 1966, including interest charged to construction, but excluding income tax savings from the coal mining operation, amounted to $1.58, as compared to $1.56 in 1965. Had interest charged to construction not been credited to income, as was the Company's practice in past years, the earnings per share would have been $1.28 for the year 1966 and $1.40 for 1965.

On the former basis of reporting, earnings declined in 1966. This was largely due to the effect throughout the year of rate reductions granted to the majority of the Company's retail consumers late in 1965 and to the Cities

*Adjusted for comparative purposes to include interest charged to construction as income.

of Calgary and Red Deer for all of 1966. Other contributing factors include the additional carrying charges resulting from the new generating facilities at Brazeau and Wabamun, together with upward revisions in the Company's wage contracts.

These combined factors have tended to depress earnings over the short term. However, since the rate reductions should have a buoyant effect on sales, and since the Company will soon begin to realize the benefits of the larger and more efficient generating equipment, a resumption of previous growth trends of earnings can be expected in the longer term.

During the year 4 dividends of 17½ cents each were declared on the 5,250,000 common shares outstanding.

New Financing

For some years the Company has issued additional First Mortgage Bonds to finance its heavy program of capital works, with the result that at the end of 1965 the debt ratio had increased to nearly 60%. In order to obtain the necessary funds and at the same time to effect some reduction of the debt ratio, thereby providing greater flexibility for future financing, the Company issued $15,000,000 of Preferred Shares of the 5.40% Series during December, 1966. These shares are convertible to 3⅔ common shares up to and including November 30, 1971, and to 3 common shares during the succeeding five years. Proceeds from the sale of these shares were applied to the bank loan in 1966.

Income Tax Rebate

In July, 1966, the Federal Government passed the Public Utilities Income Tax Transfer Act which provides for the return to the provinces of 95% of the corporation income tax paid by investor-owned electric utility companies and gas utility companies in respect of taxable income earned subsequent to January 1, 1966. The Province of Alberta, which has consistently pressed for this tax rebate, also passed legislation whereby this tax will be returned to the individual consumers of the utility companies in Alberta. This action by the Federal and Provincial Governments will remove most of the discrimination with respect to income tax that has long existed between investor-owned and publicly-owned electric utilities. It should result in a substantial reduction in the cost of electricity to this Company's consumers and thus improve its competitive position.

Operations

The load supplied by the Company's system was 3,672 million kilowatt-hours, as compared to 3,328 million kilowatt-hours in 1965, an increase of 10.3%.

Your Directors are pleased to report that an amended wholesale power contract was completed with the City of Calgary in October, 1966. Under the former contract, the City's power requirements up to 300,000 kilowatts were to be supplied by the Company until 1973. The terms of the amended contract provide for the supply of up to 550,000 kilowatts, at lower rates, for a period that may terminate on August 31, 1980, or any subsequent year, upon ten years' written notice given by either party. The City also purchased and assumed responsibility for certain transmission lines and substation facilities within the City Limits, which were formerly owned and operated by the Company.

In October, 1966, your Company negotiated a new wholesale power contract with the City of Red Deer for a ten-year period, at reduced rates. These negotiations had been in progress for a considerable time and gave rise to an application by the City of Red Deer to the Public Utilities Board of Alberta for a review of the Company's rates and earnings. Upon completion of the new contract, the City withdrew its application to the Board.

During the year, industrial loads increased by 10% and the prospect for future loads of this type remains bright. Arrangements have been completed to supply the new chlorine and caustic soda plant of Dow Chemical of Canada Limited near Fort Saskatchewan with an initial requirement of 10,000 kilowatts. Negotiations are also under way which should result in adding some 10,000 kilowatts of load in natural gas processing plants and a 15,000 kilowatt oil pipeline pumping load.

Although it is not generally recognized, the Company is engaged in a highly competitive business with other low cost fuels and sources of energy. For this reason, it has over the years endeavoured to develop a broad and effective marketing program, and is presently taking steps to increase its sales and promotional activities.

Capital Expenditures

Capital expenditures during the year amounted to $28,901,857, as compared to $24,839,165 in 1965. Details of these expenditures, together with the source of funds, are shown in the financial statements.

Major projects completed or undertaken include the following:

> A second unit, having a capability of 190,000 kilowatts, at the Big Bend Plant of the Brazeau Power and Storage Development, is expected to be in service early in 1967.
>
> A fourth unit of 286,000 kilowatt capacity at the Wabamun Thermal Plant was in the final stages of installation at the year's end and is expected to be placed in service during 1967.
>
> The Company's high voltage transmission system was further strengthened and extended by the construction of 110 miles of 138 KV lines, and commencement of 125 miles of 240 KV line from Benalto to Calgary.
>
> Associated with these extensions to the high voltage transmission system, five new substations were completed or are under construction, including a 240/138 KV substation near Calgary and 138/72 KV substations at Lodgepole and at Colinton.
>
> The construction of the Company's new head office building on 12th Avenue and Centre Street South in Calgary was commenced in 1966 and is expected to be ready for occupancy by September, 1967.

The Company's plans for the further development of its system are under constant review. These plans are based on the premise that its power requirements in the immediate future will be most economically provided by expanding its conventional thermal-electric and hydro-electric generating facilities. However, over the long range and with the continued growth of the system, nuclear power generation will be of increasing interest. The installation of the larger nuclear units which are now possible on major power systems, continued improvements in design, and the cost benefits of repetitive manufacture are rapidly narrowing the gap with conventional thermal generation.

Insofar as future thermal-electric plants are concerned, the choice of sites is governed largely by the availability of large deposits of strippable coal which can be economically mined, and an adequate supply of cooling water. Consequently, extensive coal exploration work has been carried out at various locations in Alberta. As a result of this work, the Company plans to open a new coal mine on its coal lands on the south side of Lake Wabamun, and to construct a thermal plant in the immediate vicinity of this mine. The first generating unit for this plant, now on order, is expected to come into operation early in 1971.

Your Company is presently carrying out studies with a view to increasing the storage volume of the Brazeau Reservoir and providing a permanent overflow spillway. Depending on the outcome of the studies, construction work may be started in 1967.

Scholarships

Commencing in 1967, your Company is providing two scholarships for graduate study in engineering which will be known as the G. A. Gaherty Memorial Scholarships. The awards will be made annually to two students graduating from the Faculty of Engineering, one from The University of Alberta and the other from The University of Calgary, and proceeding to graduate studies at either of these Universities. The scholarships are in memory of the late Geoffrey Abbott Gaherty, for many years President and subsequently Chairman of the Board of Calgary Power Ltd.

Directors

Mr. Robert Arthur Brown, Jr., of Calgary, was elected to the Board of Directors at the meeting of April 29, 1966. Mr. Brown is President of Home Oil Company Limited, and a Director of several large corporations.

Your Directors wish to express their appreciation to all members of the Company's staff for their good work in 1966.

Submitted on behalf of the
Board of Directors,

A. W. HOWARD,
President.

March 7, 1967.

CALGARY

Consolidated Balance S

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ASSETS

	1966	1965
Property Account:		
Land, buildings, plant and equipment	$274,268,544	$247,067,503
Valued at actual cost as defined in the regulations under the Dominion Water Power Act and the Alberta Water Resources Act and fixed by the Federal and Provincial Ministers to December 31, 1965 pursuant to the applicable statutes and regulations.		
Other plant and equipment including transmission lines situated in British Columbia and Saskatchewan, valued at cost	1,723,318	1,729,442
	275,991,862	248,796,945
Investments And Deposits:		
Wholly-owned subsidiary (not consolidated) (Note 1)		
Shares — at cost	20,000	20,000
Advances	56,677	13,737
Other shares — at cost	11,250	11,250
Special refundable income tax	530,823	—
	618,750	44,987
Current:		
Cash	367,874	525,021
Accounts receivable	3,237,991	3,469,277
Materials and supplies valued at average cost	1,618,302	1,340,152
Prepaid expenses	305,754	183,073
	5,529,921	5,517,523
Other:		
Premium, discount and expenses on funded debt and capital	982,985	532,985
Less accumulated gains on bond redemptions	694,296	671,426
	288,689	(138,441)
Deferred past service pension costs	738,699	830,699
	1,027,388	692,258
	$283,167,921	$255,051,713

On behalf of the Board:

(Sgd.) D. STAIRS, *Director.*

(Sgd.) A. W. HOWARD, *Director.*

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LIABILITIES

	1966	1965
Funded Debt (Note 3)	$ 88,399,000	$ 89,357,000
6% Notes Payable to Farm Electric Services Ltd. (Note 4)	12,200,000	9,150,000
Customers' Contributions For Extensions	4,254,143	3,984,031
Accumulated Depreciation	58,587,623	52,765,066
Deferred Credits:		
Deferred income taxes (Note 5)	16,041,650	15,592,376
Reserve for rate reductions	3,000,000	1,900,000
	19,041,650	17,492,376
Current:		
Bank loan	560,000	2,435,000
Note payable to Farm Electric Services Ltd.	—	2,300,000
Short term notes payable	1,005,000	415,000
Accounts payable and accrued charges	5,514,546	3,000,251
Income and other taxes payable	1,742,732	1,900,269
Dividends payable	1,052,500	1,052,500
Interest accrued on funded debt	452,171	461,168
Consumers' deposits and accrued interest	473,119	474,544
	10,800,068	12,038,732
Shareholders' Investment:		
Capital (Note 7)		
Preferred shares	27,000,000	12,000,000
Common shares	6,039,985	6,039,985
Earnings retained for use in the business	56,845,452	52,224,523
	89,885,437	70,264,508
Commitments (Note 8)		
	$283,167,921	$255,051,713

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CALGARY POWER LTD.

Consolidated Statement of Income

Year ended December 31, 1966
(With comparative figures for 1965)

	1966	1965
Gross revenue from operations	$38,740,428	$37,672,299
Operating deductions:		
Operating expenses (Note 9)	10,828,540	9,540,499
Taxes, other than taxes on income	1,823,273	1,688,407
Depreciation (Note 2)	6,900,000	6,400,000
Taxes on income (Note 5)	5,210,000	6,270,000
	24,761,813	23,898,906
Operating income	13,978,615	13,773,393
Income deductions:		
Bond interest	4,463,681	3,958,488
Other interest (net)	1,148,744	917,434
Interest charged to construction (Credit) (Note 6)	(1,564,739)	(828,363)
	4,047,686	4,047,559
Net income for the year	9,930,929	9,725,834
Deduct:		
Dividends paid —		
On preferred shares	535,000	535,000
On common shares	3,675,000	3,412,500
	4,210,000	3,947,500
Appropriation to reserve for rate reductions (Note 5)	1,100,000	1,000,000
	5,310,000	4,947,500
Transferred to consolidated statement of earnings retained for use in the business	$ 4,620,929	$ 4,778,334

Consolidated Statement of Earnings Retained for Use in the Business

Year ended December 31, 1966

Balance at beginning of year	$44,274,195
Add interest charged to construction in prior years (Note 6)	7,950,328
	52,224,523
Transferred from consolidated statement of income	4,620,929
Balance at end of year	$56,845,452

CALGARY POWER LTD.

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1966
(With comparative figures for 1965)

	1966	1965
Source of Funds		
From operations:		
Net income for the year	$ 9,930,929	$ 9,725,834
Add items not involving cash —		
Depreciation	6,900,000	6,400,000
Deferred income taxes	449,274	2,506,389
	17,280,203	18,632,223
Proceeds from issue of Convertible Preferred Shares (net)	14,550,000	—
Proceeds from issue of First Mortgage Bonds	—	8,910,000
Increase in notes payable, Farm Electric Services Ltd.	750,000	600,000
Note payable, Farm Electric Services Ltd. transferred from (to) current liabilities	2,300,000	(2,300,000)
Proceeds from sale of property	629,497	—
Other	319,172	381,006
	$35,828,872	$26,223,229

	1966	1965
Application of Funds		
Capital expenditures:		
Production	$17,464,428	$14,687,234
Transmission	3,920,403	3,336,011
Substations	2,079,801	1,736,505
Distribution	3,303,327	4,466,537
Other	2,133,898	612,878
	28,901,857	24,839,165
Dividends —		
Preferred shares	535,000	535,000
Common shares	3,675,000	3,412,500
First Mortgage Bonds purchased for sinking fund (net of discount)	935,130	796,275
Special refundable income tax	530,823	—
Past service pension contribution	—	830,699
Decrease (increase) in working capital deficiency	1,251,062	(4,190,410)
	$35,828,872	$26,223,229

CALGARY POWER LTD.

Notes to Financial Statements

December 31, 1966

1. Principles Of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries with the exception of Farm Electric Services Ltd., a non-profit organization.

2. Depreciation

The Companies provide for depreciation in amounts approximately equivalent to the amounts which would be provided on a straight line basis using a composite rate of 3%. This basis was derived from a comprehensive study of properties, plant and equipment and the related reserve for depreciation which was completed in 1964 and which included depreciation calculations on a sinking fund basis (recognizing loss in value as a result of physical, functional and other causes) applied to costs adjusted for variation in the purchasing power of the dollar year by year and also on a straight line basis applied to actual costs.

3. Funded Debt

Details of the Company's funded debt, which consists of outstanding First Mortgage Bonds (subject to Sinking Fund) are as follows:

	1966	1965
3¼% Series due 1972	$ 6,805,000	$ 6,805,000
3½% Series due 1972	4,810,000	4,810,000
3⅝% Series due 1972	5,575,000	5,575,000
4⅛% Series due 1972	5,225,000	5,225,000
4⅞% Series due 1972	3,880,000	3,880,000
4½% Series due 1976	3,850,000	3,850,000
5½% Series due 1977	7,472,000	7,972,000
5½% Series due 1978	3,700,000	4,000,000
4 % Series due 1979	4,240,000	4,240,000
5¾% Series due 1981	9,842,000	10,000,000
5¾% Series due 1982	8,000,000	8,000,000
5¾% Series due 1983	9,000,000	9,000,000
5⅝% Series due 1984	7,000,000	7,000,000
6 % Series due 1985	9,000,000	9,000,000
	$88,399,000	$89,357,000

The First Mortgage Bonds are secured by a first and specific mortgage and charge upon certain of the Company's lands, buildings, plant and equipment and by a first floating charge upon all other assets situated in the Province of Alberta. The Trust Deed securing the issues provides for a sinking fund for the retirement of First Mortgage Bonds payable on September 1 in each year of 1% of the original principal amount of First Mortgage Bonds previously issued.

The sinking fund requirements are $970,000 for each of the years 1967 to 1971 inclusive.

4. 6% Notes Payable

Details of the Company's 6% Notes Payable to Farm Electric Services Ltd. are as follows:

Due	Amount
December 31, 1968	$ 2,300,000
December 31, 1969	2,300,000
December 31, 1970	2,250,000
December 31, 1971	2,700,000
December 31, 1972	2,650,000
	$12,200,000

Farm Electric Services Ltd., a non-profit organization, acts as agent for Rural Electrification Co-operative Associations served by the Company.

5. Income Taxes

Income taxes payable in respect of the year are estimated to be $3,751,400. The difference of $1,458,600 between this and the taxes charged against income results from claiming, for tax purposes, depreciation and other expenses in amounts greater than those charged in the accounts. This difference is applicable to those future years in which the amounts claimed for tax purposes will be less than the depreciation and other expenses recorded in the accounts and is accordingly included in the balance sheet in the item "Deferred income taxes".

During the year, deferred tax provisions recorded in prior years in the amount of $1,010,000 were transferred from this account to current liabilities as a result of anticipated re-assessments.

As a result of the three year exemption on income derived from the Company's coal mining operation near Wabamun, income taxes otherwise payable for 1966 have been reduced by $1,100,000 ($1,000,000 in 1965 and $900,000 in 1964).

In accordance with the decision of the Directors to utilize the tax savings from such mine exemption for the purpose of reducing rates to customers, the above estimated amounts totalling $3,000,000 have been appropriated to reserve for rate reductions.

6. Interest Charged To Construction

In previous years, the Company followed the practice of charging interest to construction of buildings and plant at prevailing bank interest rates and of crediting these amounts to interest during construction in its accounts. No portion of these amounts was reflected in income.

Commencing with the 1966 year, the Company has adopted the practice of recording interest charged to construction as income, and accordingly interest capitalized and excluded from income in prior years in the amount of $7,950,328 has been transferred to earnings retained for use in the business. The consolidated statement of income for 1965 has been adjusted, for comparative purposes, to include the amount of interest charged to construction in that year. The consolidated net income actually reported for 1965 amounted to $8,897,471.

7. Capital

The Company's capital consists of the following:

Cumulative redeemable preferred shares —		
Authorized — 350,000 shares of $100 each		
Issued —	50,000 4% shares	$ 5,000,000
	30,000 4½% shares	3,000,000
	40,000 5% shares	4,000,000
	150,000 5.40% shares	15,000,000
		27,000,000
Common shares of no par value —		
Authorized — 7,500,000 shares		
Issued —	5,250,000 shares	6,039,985
		$33,039,985

By Supplementary Letters Patent dated August 29, 1966, the authorized preferred share capital of the Company was increased from 150,000 to 350,000 cumulative redeemable preferred shares of $100 par value which may be issued in series under terms and conditions specified by the Directors.

On October 13, 1966, a resolution was passed and confirmed by Supplementary Letters Patent dated November 4, 1966, designating 150,000 preferred shares as 5.40% Cumulative Redeemable Convertible Preferred Shares of a par value of $100 each. These shares are redeemable at $105 per share to November 30, 1971; thereafter at $102.50 per share to November 30, 1976, and thereafter at par.

On November 25, 1966, the Company issued and sold 150,000 5.40% Cumulative Redeemable Convertible Preferred Shares of a par value of $100 each for $15,000,000 cash. The expenses of the issue, amounting to $450,000 have been deferred in the Company's accounts.

Five hundred and fifty thousand (550,000) common shares have been reserved for conversion of the 5.40% Cumulative Redeemable Convertible Preferred Shares.

8. Commitments

The Company, in the normal course of business, anticipates incurring substantial capital expenditures for future expansion of its system.

9. Operating Expenses

Operating expenses include Directors' remuneration of $6,300.

Auditors' Report

To The Shareholders
Calgary Power Ltd.

We have examined the balance sheet of Calgary Power Ltd. and its principal wholly-owned subsidiary companies as at December 31, 1966 and the consolidated statements of income and earnings retained for use in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting for interest charged to construction referred to in Note 6, which change we approve.

Calgary, Alberta.
March 3, 1967.

(Sgd.) CLARKSON, GORDON & CO.,
Chartered Accountants.

Consolidated 10 Year Growth Summary

	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Gross Revenue										
(Thousands of dollars)										
Wholesale cities and towns	$ 9,080	9,113	8,194	7,503	6,962	6,185	5,499	4,855	4,165	3,694
Sold to other utilities	239	236	195	91	155	120	100	70	40	—
Town retail	12,169	11,921	11,207	10,550	10,359	9,627	8,813	7,996	6,989	6,338
Industrial	11,506	10,876	9,975	9,380	8,737	8,169	7,688	7,126	6,346	5,827
Rural	5,029	4,853	4,302	3,950	3,952	3,503	3,152	2,919	2,363	2,052
Total electrical	$ 38,023	36,999	33,873	31,474	30,165	27,604	25,252	22,966	19,903	17,911
Other	717	673	685	598	516	516	429	387	364	297
Gross revenue from operations	$ 38,740	37,672	34,558	32,072	30,681	28,120	25,681	23,353	20,267	18,208
Operating income (Thousands of dollars)	$ 13,979	13,773	12,583	10,589	10,608	9,559	8,760	8,001	7,535	6,820
Earnings per common share (1) (4)	$ 1.58(2)	1.56(2)	1.50(2)	1.28	1.57	1.33	1.20	1.01	.98	.85
Dividends per common share (1)	$ .70	.65	.60	.60	.55	.40	.40	.40	.40	.40
Fixed assets (Thousands of dollars)	$275,992	248,797	224,673	204,322	186,960	164,750	143,473	132,198	122,577	112,982
Load in millions of kilowatt hours (3)	3,672	3,328	2,978	2,677	2,458	2,247	2,038	1,851	1,585	1,447
Number of employees	895	835	785	759	724	684	665	659	630	620
Generating Capacity										
(net MW)										
Hydro	490	490	325	325	325	325	325	240	240	240
Thermal	283	283	283	283	283	136	144	144	144	72
Purchased	11	11	16	16	26	26	25	25	25	25
Total	784	784	624	624	634	487	494	409	409	337

Note: (1) 1958 and prior years adjusted for 5 for 1 stock division in 1959.
(2) Excluding income tax savings from the coal mining operation.
(3) Includes kilowatt hours supplied to East Kootenay Power Company Limited and Northland Utilities Limited.
(4) Adjusted to include interest charged to construction as income.

PITFIELD, MACKAY, ROSS & COMPANY
LIMITED

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RESEARCH BRIEF

CALGARY POWER LIMITED

Price December 20, 1967	Earnings per share (Years ended Dec. 31) 1966	1967(est.)	1968(est.)	P. E. Ratio (on 1968 est.)	Indicated dividend	Yield
$22 1/4	$1.58	$1.56	$1.65	13.5X	$0.80	3.6%

The Company Calgary Power is the leading electric utility in the Province of Alberta supplying power to well over half of the consumers in the Province including the large markets of Calgary, Red Deer and Edmonton.

Sales Sales which were 3,672 million kilowatt hours in 1966 have grown at a rate of about 10% per year since 1962. We expect this growth rate will continue over the near term and estimate sales of approximately 4,800 million kilowatt hours by 1969. Gross revenues ($38.7 million in 1966) have grown at a slower rate of approximately 6.0% per annum since 1962 due to the continuous reductions in the price of electricity. Recently, however, wholesale power contracts lasting for at least 10 years have been signed by the City of Calgary and Red Deer and this is expected to help increase the growth rate in revenues.

Capital Expenditures Capital expenditures during 1966 were approximately $28 million, an increase of 17% over the previous year. To meet anticipated load the Company will have to double its generating capacity during the next 10 years. This capacity will be supplied by a combination of thermal plant for base load and hydro for peaking. Thermal capacity will be developed in the Wabamun area where large coal reserves are available.

Substantial amounts of new financing will be needed to cover the Company's capital requirements over the next few years as the Company anticipates capital expenditures of $30 million per year on average.

Operating Profits and Earnings Operating profits, which were $26.1 million in 1966, should rise proportionately with gross revenues over the next few years and could be as high as $31 million by 1969. However, growth in net income will be less than growth in operating profit as the Company is faced with a higher tax rate (due to the end of a three year tax-free period), higher interest and depreciation charges and larger preferred dividends which will only be partially offset by the elimination of the annual charge to a Reserve for Rate Reductions and by the new accounting treatment regarding interest charged to construction. In the current year, we expect that income may be down slightly to $8.2 million or $1.56 per share as compared to $8.3 million or $1.58 per share in 1966. In 1968, we expect earnings to increase by 6% to approximately $1.65.

The record for the past three years and our estimates for 1967 and 1968 are as follows:

Years ending Dec. 31	Actual				Estimated	
	1964	1965(1)	1965(2)	1966	1967	1968
Kilowatt hours ('millions)	2,965	3,304	3,304	3,672	4,021	4,403
Per cent increase	11.0%	11.4%	11.4%	11.1%	9.5%	9.5%
			($'000)			
Gross revenues	$34,558	$37,672	$37,672	$38,740	$41,650	$44,500
Operating profit	24,113	26,443	26,443	26,088	27,800	29,800
Less: Depreciation	5,800	6,400	6,400	6,900	7,300	7,837
Interest	4,418	4.876	4,876	5,612	6,000	6,200
Pre-tax income	$13,895	$15,167	$15,167	$13,576	$14,500	$15,763
Less: Income taxes	5,730	6,270	6,270	5,210	6,960	7,595
Add: Interest charged to construction	-	-	828	1,565	2,000	1,800
Net income	$ 8,165	$ 8,897	$ 9,725	$ 9,931	$ 9,540	$ 9,968
Less: Preferred dividends	535	535	535	535	1,345	1,345
Reserve for rate reductions	900	1,000	1,000	1,100	-	-
Net available for common	$ 6,730	$ 7,362	$ 8,190	$ 8,296	$ 8,195	$ 8,623
Common shares outstanding ('000)	5,250	5,250	5,250	5,250	5,250	5,250
Net per share	$ 1.28	$ 1.40	$ 1.56	$ 1.58	$ 1.56	$ 1.65
Apparent tax rate	41.2%	41.3%	41.3%	38.4%	48.0%	48.0%

(1) Before adjusting entry for interest charged to construction.
(2) After adjusting entry for interest charged to construction.

<u>Outlook</u> Sales volume should increase as a result of rate reductions which have improved the Company's competitive position, and which were made possible by the Federal tax rebate to the provinces for investor owned utilities. Although earnings are expected to be down slightly this year and will grow at a slower rate than operating profit over the near term, we expect a return to a more normal growth in the Company's earnings by the end of 1968.

<u>Dividends</u> The Company, which over the past few years has paid out between 40% and 50% of its earnings in the form of common dividends, recently raised its annual dividend from $0.70 to $0.80. The yield on the indicated dividend of $0.80 is 3.6%.

<u>Market Action</u> During most of 1966, the stock was in a downtrend moving from a high of $30 in January to a low of $20 1/4 in November. In 1967, the stock has traded in a range between $21 and $26 and most recently has been in the lower end of the range at $22 1/4 or 13.5 times estimated 1968 earnings.

<u>Comment</u> At the current multiple of 13.5 times, the stock is adequately priced considering the slight drop in earnings expected in the current year. However, it is estimated that the Company's expansion program will double its capacity by 1977 thus enhancing earnings prospects for the longer term. The stock is a hold for long term capital appreciation.

Toronto, Ontario.

December 20, 1967.